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Report Highlights:

The drought-induced production shortfalls of olive oil and all local feedstuffs during CY2002 automatically triggered a sharp increase in both soybean oil and soybean meal imports. The U.S. market share of soybean meal edged up slightly, while U.S. soybean oil market share has eroded.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Rabat [MO1], TS

EXECUTIVE SUMMARY	2
TOTAL OILSEEDS	2
Consumption	3
Trade	3
.....	3
TOTAL OIL MEALS	3
Production	3
Consumption	4
Trade	4
Policy	5
TOTAL OILS	5
.....	5
Production	5
Consumption	5
Trade	6
Policy	6
Biotechnology	7
STATISTICAL SECTION	8
PSD Soybean Meal	8
Import Trade Matrix Soybean Meal	9
PSD Soybean Oil	10
Import Trade Matrix Soybean Oil	11
PSD Olive Oil	12
Export Trade Matrix Olive Oil	13

EXECUTIVE SUMMARY

Note, this report refers to calendar year as a reporting period instead of the marketing year for all the oilseed products except for the olive oil. This is due to both the lack of soybean and products domestic production and the availability of reliable data on calendar year basis only. The average CY 2002 exchange rate used for the purpose of this report is: 1.0 USD equivalent to 1.34 TD.

In Tunisia, all supplies of oilseeds and derived products, except olive oil, are sourced from imports.

In CY 2002 (MY 2001) the whole Tunisian agricultural sector experienced a severe drought which slashed, among others, the olive and all local feedstuffs production. The pronounced shortfall in domestic supplies automatically triggered a sharp increase in both soybean oil and soybean meal imports during CY 2002 which exceeded the CY 2001 (MY 2000) import volumes by respectively 90 percent and 36 percent.

All the usual foreign suppliers, including the U.S., benefitted from this drought-driven oilseeds and products import boost. However, this upward import trend has not translated into bigger market shares for the U.S. soybean products.

FAS/Tunis expect CY 2003 imports of both soybean meal and soybean oil to get back to their normal adjusted levels as a consequence of the current improvement of the local forage availability as well as the olive oil production. But we do not expect any fundamental changes regarding the different foreign competitors market shares.

TOTAL OILSEEDS

Tunisian olive groves, the sole significant domestic source of edible oils, cover about one third of the total arable land and comprise around 55 million olive trees. Olive production is characterized by unpredictable fluctuations mainly due to the drought and the lack of adequate agricultural treatments such as fertilization and pest management.

The drought which plagued the whole of the Tunisian agriculture over the last 3 years has taken a heavy toll on the olive sector. The MY 2002 corresponding to the 2001/2002 crop season (1st November 2001-31st October 2002) hit a production record low in more than a decade with only 170,000 MT. This production represents only 30 percent of the previous harvest.

The current MY 2003 olive production forecast is 340,000 MT and thus showing a significant improvement. But this production level is still lagging behind the production record of 1,500,000 MT registered in 1995/96 or even behind the average production of the IXth development plan (1997-2001) which reached 625,000 MT.

A relatively small production of table olives estimated at about 12,000 MT was reported in MY 2001. Although the table olive sub-sector has benefitted from various incentives which have led to a significant extension of the acreage devoted to this crop, the production is still relatively low and irregular.

In Tunisia, sunflower seed production ranks far below olive production. This crop is planted in northern Tunisia over approximately 11,000 hectares and yields annually an estimated production of 10,000 MT entirely for edible use.

Consumption

Tunisia has nearly 1,500 olive crushing plants which process almost the totality of olives into various grades of olive oil. During the MY 2002, only 130 oil presses out of the 1,500 available were actually utilized, while it is estimated that up to 2/3 of the existing crushing capacity remained idle at the outset of the current crop season on November 2002.

Sunflower-seed consumption is about 10,000 MT annually, while Tunisia's annual consumption of peanuts, equivalent to roughly 4,500 MT (shelled basis), has remained stable during the last few years.

Sesame-seed consumption is estimated at about 9,000 MT, mainly for human consumption in forms of tahina (a paste made of ground, roasted sesame seeds) and Halwa (made of tahina and sugar and, at random, one may add walnuts, pistachios or peanuts).

Trade

In Tunisia, the only imported oilseeds are sesame-seeds and peanuts. In CY 2002, sesame-seed imports reached 9,820 MT slightly above the 9,700 tons imported in CY 2001, while peanut imports dropped drastically to 2,700 MT (800 MT of in shell peanuts and 1,900 MT of shelled peanuts) from the 25,520 MT registered last year. This huge drop is on account of higher-than-expected price levels occurring in Libya and Egypt from where the bulk of the imported peanuts are sourced (an average CIF price of about USD 2.14 in CY 2002 compared to only USD 1.43 registered in CY 2001).

Sesame seed imports are charged an ad valorem customs duty of 31 percent and a VAT of 18 percent. A relatively high ad valorem customs duty of 200 percent and a VAT of 18 percent apply to the peanut imports.

TOTAL OIL MEALS

Production

In Tunisia, protein meals supply to the animal feed industry hinges only on imports as no significant domestic production can be reported. A variety of imported feed ingredients are manufactured by nearly 750 feedmills (560 commercial size and 190 on-farm units) into compound feed according to standardized feed formulas.

The total feedmills annual production capacity is about 3.0 million MT, of which only 50 percent is actually utilized. In CY 2002, total compound feed production reached about 1,550,000 MT of which about 55 percent were consumed by the poultry industry and 45 percent by ruminants farmers.

Consumption

In Tunisia, protein meals feed consumption is made up almost exclusively of soybean meal. It is estimated that nearly

75 percent of the imported soybean meal is used in broiler and egg production, while the rest is used in the livestock sector. In CY 2002 the consumption reached an all-time high, with a year on year increase of 36 percent. The bulk of this surge is on account of an unusual drought-driven shift toward the use of compound feed by cattle farmers unable to rely on other local feedstuffs.

In addition, new dairy companies utilizing state-of-the-art production techniques with more efficient feeding practices along with a steady growing feedlot industry, exerted an upward pressure on local demand for soybean meal.

Trade

Tunisian soybean meal imports over the last four calendar years were as follows:

Calendar Year	1999	2000	2001	2002
Quantity (in 1000 MT)	241.9	263.9	266.0	338.7
Value (millions USD)	40.2	53.6	56.1	75.2
Unit price USD/MT	165.27	202.12	211.13	222.61
year on year growth	-	9%	0.7%	27.3%

Source: Institut National de Statistiques (INS)

In CY 2002, Tunisian soybean meal imports reached a record high. This surge, as already mentioned above, was mainly intended to offset the acute shortage of local forages following a devastating drought. There was a continuous supply during the year which reflected a situation where imports were driven by a sustained above-average demand, rather than by attempts to build up inventories following better prices.

Argentina sourced soybean meal, noticeably cheaper than US originating meal (the average CY 2002 unit price was 220 USD/MT vs. 231 USD/MT) continues to enjoy the lion's share of Tunisian imports. This situation is likely to persist as Tunisian importers and end-use farmers, often lacking adequate storage facilities, prefer Argentinian soybean meal which reportedly, has a lower moisture content.

Apart from the overall import upward trend due to the drought, the substantial increase of imports from the U.S. is on account of, to a certain extent, several progressive feed companies currently importing some Hi Pro soymeal from the U.S. These companies, all of them engaged in the poultry industry, have realized the economic benefits of Hi Pro in their operations.

Policy

Soybean meal and pellets imports from all origins are subject to a 17 percent customs duty and to a 6 percent VAT. However, the EU benefits from a relatively small TRQ of 6,000 MT currently subject to an 8 percent tariff. This tariff will be phased out completely by January 1, 2005.

The implementation of a national strategy to reach self sufficiency in red meat and dairy products is likely to impact positively on the imports of soybean meal. As the GOT can no longer rely on imports to bridge the red meat production gaps since the import ban set in November 2000 following the outbreak of BSE in Europe, cattle fattening is increasingly becoming a structured activity, and therefore the regular use of soybean meal as a feed ingredient is likely to intensify.

TOTAL OILS

Production

Olive oil is the only edible oil produced in Tunisia on a commercial scale. (See TOTAL OILSEEDS, Production section). The MY 2002 low olive production translated automatically into an all-time low olive oil production of about 35,000 MT.

Consumption

Most of Tunisia's requirements for edible oil are met from imports of vegetable oil (refined locally) or from its own production of olive oil pressed domestically. Domestic olive oil consumption levels are tightly linked to the production levels and hence to the price levels. Domestic olive oil consumption varies from a maximum of 70,000 MT reached in MY 1997, characterized by an abundant harvest, to about 25,000 MT in the MY 2002.

To bridge this gap, consumers shift to other vegetable oils, mainly imported soybean oil which is refined and bottled locally. The consumption surge during CY 2002 is partially due to the fact that as much as 25,000 MT of demand normally secured by local olive oil was missing and had to be compensated by an equivalent supply of other edible oils.

The consumer price of pure vegetable oil is around USD 0.54 per liter while that of olive oil is now about 4.6 times the price of vegetable oil.

In CY 2002, Tunisian margarine consumption increased slightly to about 35,000 MT from 34,000 MT reported the previous year. The margarine consumption is growing at the average pace of 7 percent per year.

Trade

Tunisian olive oil exports represent a main source of foreign exchange. In MY 2002, up to 23,000 MT of olive oil worth 41.8 millions USD were exported, mainly to the European market. Exports decreased sharply from the 95,000 MT worth 136.4 millions USD shipped during MY 2001 as a result of much lower domestic production. This availability tightness has made Tunisia unable to take advantage of its agreement with the EU that allows an annual volume of 50,000 MT of olive oil to enter the EU at a zero rate of duty . This TRQ is increased annually by 1,500 MT over four years starting on 1st January, 2002.

Tunisian Vegetable Oil Imports

Unit: in MT

	CY 2000	CY 2001	CY 2002
Soybean oil	127 038	95 646	181 100
Rapeseed oil	24 372	0	0
Corn oil	17 410	15 332	29 838
Palm oil	9 253	15 354	18 438
Copra oil	4 812	5 244	4 053
Linseed oil	881	809	565
Sunflower oil	44	59	62
Total	183 810	132 444	234 056

Source: Institut National de Statistiques (INS)

Policy

The policy adopted by the GOT takes into account the following imperatives:

1. Assure a maximum export of olive oil, given the country's hard currency needs
2. Import vegetable oil at the lowest cost possible: Tunisian vegetable oil market is price-sensitive and quality plays a very small role in GOT purchasing decisions
3. Assure that the local market price is accessible to the least favored income brackets : considered as an important staple product, food oils benefit from consumer subsidies.

In addition, the GOT oilseeds policy allows for an increased role for the private sector. The vegetable oil imports into the Tunisian market have been liberalized. However, private operators must comply with government tender specifications. These specifications include the provision that a minimum storage capacity of 10,000 MT shall be made available by the private importer prior to any import operations.

The level of customs tariffs imposed on vegetable oil depends mainly on the degree of refining. Crude soybean oil imports are subject to 15 percent duty and zero percent VAT, while crude corn oil imports are subject to 15 percent duty and 18 percent VAT. The EU-Tunisia Agreement specifies that an overall annual preferential tariff quota of 100,000 MT of vegetable oils (including soybean oil, rapeseed oil, ground nut oil, protein oil, etc.) will have a tariff rate reduced from 15 percent (in 2001) to zero percent in five equal steps between January 1, 2001 and January 1, 2005. The current tariff rate (in 2003) is 6 percent.

Biotechnology

So far, shipments of oilseeds and products have not been subject to any specific biotechnology regulations, either when entering Tunisia or during their processing and marketing.

Tunisia has drafted legislation that controls the use of biotech ingredients in food and feed products. However, sources indicate that this legislation may not be implemented until the current US-EU standoff over GMO crops is resolved.

STATISTICAL SECTION

PSD Soybean Meal

PSD Table						
Country:	Tunisia					
Commodity:	Soybean Meal					
		2001		2002		2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2002		01/2003		01/2004
Crush	0	0	0	0	0	0
Extr. Rate	ERR	ERR	ERR	ERR	ERR	ERR
Beginning Stocks	40	40	44	40	49	40
Production	0	0	0	0	0	0
MY Imports	271	339	285	290	0	310
MY Imp. from U.S.	62	81	70	70	0	80
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	311	379	329	330	49	350
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	267	339	280	290	0	310
Feed Waste Dom.Consum.	0	0	0	0	0	0
Total Dom. Consumption	267	339	280	290	0	310
Ending Stocks	44	40	49	40	0	40
TOTAL DISTRIBUTION	311	379	329	330	0	350
Calendar Year Imports	271	339	285	290	0	310
Calendar Yr Imp. U.S.	62	82	70	70	0	80
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Import Trade Matrix Soybean Meal

Import Trade Matrix			
Country:	Tunisia	Units:	1,000 MT
Commodity:	Soybean Meal		
Time period:	MY		
Imports for	2001		2002
U.S.	62	U.S.	81
Others		Others	
Argentina	204	Argentina	255
		France	3
Total for Others	204		258
Others not listed	0		0
Grand Total	266		339

PSD Soybean Oil

PSD Table						
Country:	Tunisia					
Commodity:	Soybean Oil					
		2001		2002		2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2002		01/2003		01/2004
Crush	0	0	0	0	0	0
Extr. Rate	ERR	ERR	ERR	ERR	ERR	ERR
Beginning Stocks	16	16	26	29	31	29
Production	0	0	0	0	0	0
MY Imports	168	181	160	160	0	150
MY Imp. from U.S.	16	16	20	15	0	15
MY Imp. from the EC	71	110	80	100	0	100
TOTAL SUPPLY	184	197	186	189	31	179
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	158	168	155	160	0	160
Feed Waste Dom.Consum.	0	0	0	0	0	0
Total Dom. Consumption	158	168	155	160	0	160
Ending Stocks	26	29	31	29	0	19
TOTAL DISTRIBUTION	184	197	186	189	0	179
Calendar Year Imports	168	181	160	160	0	150
Calendar Yr Imp. U.S.	16	15	20	15	0	15
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Import Trade Matrix Soybean Oil

Import Trade Matrix			
Country:	Tunisia	Units:	1,000 MT
Commodity:	Oil, Soybean		
Time Period:	CY		
Imports for	2001		2002
U.S.	16	U.S.	16
Other		Other	
Argentina	13	Argentina	39
Brazil	24	Brazil	16
EU	43	EU	110
Total of Others	80	Total of Others	165
Others not listed	0	Others not listed	0
Grand Total	96	Grand Total	181

PSD Olive Oil

PSD Table						
Country:	Tunisia					
Commodity:	Oil, Olive					
		2001		2002		2003
	Old	New	Old	New	Old	New
Market Year Begin		11/2001		11/2002		11/2003
Area Planted	1340	1340	1340	1340	1340	1340
Area Harvested	1200	1200	1200	1200	1200	1200
Trees	55230	55230	55230	55230	55230	55230
Beginning Stocks	96	25	41	12	11	7
Production	90	35	60	70	0	125
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	186	60	101	82	11	132
MY Exports	95	23	40	35	0	70
MY Exp. to the EC	82	20	35	33	0	65
Industrial Dom. Consum.	0	0	0	0	0	0
Food Use Dom. Consump.	50	25	50	40	0	50
Feed Seed Waste Dm.Cn.	0	0	0	0	0	0
Total Dom. Consumption	50	25	50	40	0	50
Ending Stocks	41	12	11	7	0	12
TOTAL DISTRIBUTION	186	60	101	82	0	132
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	95	22	40	33	0	60
Calndr Yr Exp. to U.S.	5	1	5	2	0	5

Export Trade Matrix Olive Oil

Export Trade Matrix			
Country:	Tunisia	Units:	1,000 MT
Commodity:	Oil, Olive		
Time period:	MY		
Exports for	2001		2002
U.S.	1	U.S.	2
Others		Others	
Italy	20	Italy	20
		Spain	5
		France	5
Total for Others	20		30
Others not listed	2		3
Grand Total	23		35